



## Senate

General Assembly

January Session, 2001

**File No. 111**

Senate Bill No. 1231

*Senate, April 3, 2001*

The Committee on Commerce reported through SEN. LEBEAU of the 3rd Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

### **AN ACT CONCERNING PRIORITIES FOR APPLICATIONS FOR URBAN REINVESTMENT PROJECTS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Subsection (g) of section 32-9t of the general statutes is repealed and  
2 the following is substituted in lieu thereof:

3 (g) (1) The commissioner, upon consideration of the application, the  
4 revenue impact assessment and any additional information that the  
5 commissioner requires concerning a proposed investment, may  
6 approve an investment if the commissioner concludes that the  
7 investment is an eligible urban reinvestment project or an eligible  
8 industrial site investment project. In making a decision on an  
9 application the commissioner shall give priority to projects that may  
10 qualify for federal income tax credits because of participation in a  
11 project of a community development entity. If the commissioner rejects  
12 an application, the commissioner shall specifically identify the defects  
13 in the application and specifically explain the reasons for the rejection.

14 The commissioner shall render a decision on an application not later  
15 than ninety days from its receipt. The amount of the investment so  
16 approved shall not exceed the amount of state revenue that will be  
17 generated according to the revenue impact assessment prepared under  
18 this subsection.

19 (2) The approval of an investment by the commissioner may be  
20 combined with the exercise of any of the [commissioner's] other  
21 powers of the commissioner, including, but not limited to, the  
22 provision of other forms of financial assistance.

23 (3) The commissioner shall require the applicant to reimburse the  
24 commissioner for all or any part of the cost of any revenue impact  
25 assessment or economic feasibility study used in reviewing the  
26 application.

**CE**      *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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**OFA Fiscal Note**

**State Impact:** None

**Affected Agencies:** Department of Economic and Community Development

**Municipal Impact:** None

**Explanation****State and Municipal Impact:**

There is no fiscal impact associated with requiring the Department of Economic and Community Development to give priority to projects that may qualify for federal income tax credits because of participation in a project of a community development entity that are applying for the Urban Site Investment Tax Credit Program

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**OLR Bill Analysis**

SB 1231

***AN ACT CONCERNING PRIORITIES FOR APPLICATIONS FOR URBAN REINVESTMENT PROJECTS.*****SUMMARY:**

This bill requires the economic and community development commissioner, when considering projects for tax credits under the urban and industrial site reinvestment program, to give priority to projects that could qualify for federal income tax credits by investing in a community development entity.

To qualify for the federal credits, investors must provide equity in community development entities, a term not defined in the bill or in statutes.

EFFECTIVE DATE: October 1, 2001

**BACKGROUND*****New Markets Tax Credit***

Last year, federal legislation created the new markets tax credit to attract private investment capital into community development projects (Consolidated Appropriations Act of 2001, Pub. L. No. 106-554, § 121). Under this law, the Treasury Department, through a competitive process, will select qualified community development entities (CDE) to receive the new tax credits. The CDEs sell the credits to investors in order to raise equity funds. The CDEs then use the money to help finance community development projects.

***Community Development Entities.*** Federal law specifies that qualified CDEs are U.S. corporations or partnerships (1) whose primary mission is serving or providing investment capital for low-income communities or low-income people, (2) that are accountable to

residents of low-income communities by their representation on any governing or advisory board of the development entity, and (3) that are certified eligible by the Treasury Department. Some examples of possible CDEs are (1) community development banks or venture funds, (2) community development corporations, and (3) small business investment companies and new markets venture capital companies licensed by the Small Business Administration.

### ***Connecticut's Urban and Industrial Site Investment Tax Credits***

This program provides up to \$500 million in business tax credits for (1) investments in economic development projects located in distressed municipalities, towns with enterprise zones, or towns with more than 100,000 people or (2) cleanup and redevelopment of contaminated or potentially contaminated property. To qualify, investments must exceed \$20 million or be part of a fund that exceeds \$60 million. The project must generate substantial economic benefits by itself or in conjunction with related projects. The economic and community development commissioner grants the credits for up to 10 years.

## **COMMITTEE ACTION**

Commerce Committee

Joint Favorable Report

Yea 23      Nay 0